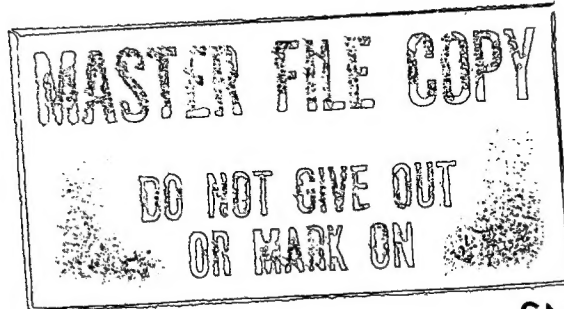


SECRET

25X1



SNIE 36.2-83

PROSPECTS FOR IRAQ

Information available as of 13 July 1983 was
used in the preparation of this Estimate.

SECRET

490

SECRET

25X1

THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army
The Director of Naval Intelligence, Department of the Navy
The Assistant Chief of Staff, Intelligence, Department of the Air Force
The Director of Intelligence, Headquarters, Marine Corps

SECRET

SECRET

25X1

CONTENTS

	<i>Page</i>
KEY JUDGMENTS	1
DISCUSSION	7
Military Situation	7
Iran's Strategy	7
Iraq's Likely Response	9
Economic Impact of the War	10
Economy Deteriorated in 1982	10
More Revenue Shortfalls in 1983	10
Diminished Financial Assistance	11
Retrenchment Ahead	13
Seeking Financial Reprieve	14
Political Impact of the War	14
Weakness of the Regime	14
Strengths of the Regime	15
Possible Succession Scenarios	15
Opposition Groups	19
Regional Implications	20
Iraq's Foreign Policy	20
The View From the Gulf	20
The Radical States	21
Relations With the Superpowers	22
The Soviets	22
The United States	23
Prospects for US Influence	23
Annex: Equipping Iraq's Military	25

SECRET

25X1

KEY JUDGMENTS

The war with Iran is the almost single preoccupation of the Saddam Husayn regime and is the principal determinant of Iraqi foreign and domestic policy. Saddam is locked in a war of attrition, the duration of which depends on a regime in Tehran that espouses Saddam's overthrow as a religious duty. We do not expect the war to end soon. The Iranians—more importantly, Khomeini—have given little indication that they are willing to negotiate a settlement to the conflict.

We believe Saddam will remain in power for the two-year period of this Estimate, but in our judgment his regime has become more brittle. It is more narrowly based on family and tribal ties and more dependent on fear as an instrument of control than it was when the war began.

Iraq retains few concrete war aims beyond extricating itself with the least possible cost. Baghdad abandoned its goal of destabilizing the Khomeini regime early in the war. It adopted a defensive military strategy, thereby forfeiting the ability to control the scope, direction, and duration of the conflict.

Chances of a decisive Iranian military victory during the period of this Estimate are remote. Iran's last two offensives failed, at a cost of some 25,000 casualties. Iranian efforts have suffered from poor planning and coordination, inaccurate intelligence, and inadequate air support. Iraqi performance has improved because of more effective use of intelligence, air power, and defensive doctrine.

There remains a potential that the war will escalate in a major way to involve other Gulf states or even non-Gulf powers. We doubt, however, that such an escalation will occur during the Estimate period. Iraq's major military option to force dramatic change is sustained air attacks on Iranian oil facilities and tankers in the Persian Gulf. Such an escalation, however, would not persuade Iran to negotiate—Iraq's current objective. Such air attacks are more likely if Iraq believes its policy of restraint is clearly leading to defeat and direct involvement of the major powers is needed to force an end to the war.

SECRET

25X1

Escalation by Iran would probably take the form of resumption of a strategy of all-out invasion of Iraq, or attacks on Iraq's Gulf supporters. Both options become more, not less, difficult with time. Iran's military capability will continue to decline in the absence of resupply of major weapon systems.

Iraq's economic condition will worsen as long as the war continues because it cannot export large amounts of oil. Oil exports are at one-fifth the prewar level of 3.2 million barrels per day. Iraq will be unable to increase oil exports substantially as long as its Gulf outlets and its pipeline through Syria remain closed. Foreign exchange assets are down to less than \$8 billion, from a prewar level of about \$35 billion. Direct assistance from the Gulf states will be sufficient to allow Iraq to continue the war, but will fall short of Iraq's overall requirements.

Iraq will have to reduce imports sharply this year. The cuts will continue to impact most heavily on Iraq's plans for economic development, but this year the consumer will also increasingly feel the effects.

Iraq also will have to defer payments worth several billion dollars to its trading partners. Baghdad is negotiating with foreign contractors from several Western countries for delayed payments on a wide variety of civilian projects. Iraq also will press harder for financial concessions from its major arms suppliers. Most exporters probably will go along with Iraq's requests, because they can do little to force payment and they can expect their current help to enhance their postwar economic opportunities in Iraq.

As long as the war continues, Iraq's policies will be characterized by a nonconfrontational stance on larger Middle East issues, a concern not to alienate either superpower, and even heavier reliance on the forces of repression to cope with the uncertain domestic security situation. Saddam Husayn already has been forced by the war to moderate further Iraq's longstanding radical policies toward its conservative Arab neighbors, and its strident opposition to Israel and the West.

Iraq also has stopped virtually all economic aid to leftist regimes and opposition movements. Iraq instead has sought to strengthen ties with its Persian Gulf neighbors, whose financial and political support is critical against an Iran-Syria alliance. Syria is likely to remain deeply hostile to Iraq. It will continue to see cooperation with Iran as the best way to try to overthrow Saddam, and is likely to keep the Iraqi pipeline through Syria closed.

SECRET

25X1

An Iraq that is again exporting oil will try to reassert its influence in the region. This probably would result in a toughening of its stance on many foreign policy issues important to the West, including the Palestinian question. Baghdad would probably demand a greater role in Arab Gulf security arrangements and, in time, within the Gulf Cooperation Council, from which it is now excluded. Iraqi leaders might revert to their prewar policy of opposing superpower involvement in the region, especially if they see a sharp increase in Iran's contacts with important outside powers. However the war ends, Iraq's behavior will continue to be influenced during the next two years by a continuing, sometimes violent, rivalry with Iran and Syria, and by a need to maintain access to logistic and financial support from its conservative Arab neighbors.

Although Iraqi-Soviet relations have run an uneven course in recent years, they have improved since the spring of 1982. Relations will remain proper, if not warm, as long as the war continues. Iraq cannot jeopardize the arms supply relationship with the USSR—its primary source of modern armor and aircraft—without risking a serious decline in its military capability during the 1980s. The Soviets have used this leverage, but with little success, in an attempt to reverse a prewar move by Iraq to more evenly balance its East-West diplomacy.

The protracted war and economic crisis in Iraq have prolonged Baghdad's dependence on Soviet arms, but the drift away is likely to resume when the war ends. Moscow views Iran as the major geopolitical prize in the region, and may be willing—if the opportunity arises—to sacrifice close ties with Iraq in order to expand its influence in Tehran. The Soviets might welcome Saddam's removal as an opportunity to expand their influence in Baghdad. They would, however, not welcome a fundamentalist regime, which would lead to even less Soviet influence in the Persian Gulf.

There is no evidence that Moscow has sufficient support within Iraq to engineer a coup. Nevertheless, there is a faction within the Iraqi leadership—although probably a minority—that reportedly favors maintaining close ties with Moscow. Some elements of the military probably would support close ties, at least until reliable alternate military supply relationships have been established. The Soviets have a large mission in Iraq, including at least 1,000 military and 5,000 economic and technical advisers.

The postwar opportunity to expand US-Iraqi ties is likely to broaden if the current regime remains in power in Baghdad. Iraq's

SECRET

25X1

relations with the United States have improved over the last few years, and commercial ties have grown considerably. Baghdad has expressed growing interest in renewing high-level official contacts with the United States, and after the war probably will expand relations with Washington. They will be reluctant to expand ties while the war continues to avoid appearing as a supplicant in need of US support.

Serious impediments to closer US ties with Iraq remain. Iraq is suspicious of US intentions in the Persian Gulf. It remains convinced that the United States is prolonging the war by allowing Israel to supply arms to Iran. US policy toward the Arab-Israeli issue and the Palestinian question is a major obstacle. Iraq, moreover, appears intent on maintaining some links to the Palestinian terrorist groups Black June and 15 May.

The current regime is likely to pursue policies more favorable to the United States than any successor regime. A successor regime would be anxious to establish its legitimacy with other Arabs and would be heavily influenced by the current popular Arab attitudes toward the United States. The United States, in fact, might serve as a scapegoat for new leaders of the Ba'thist or Islamic fundamentalist variety. A major upheaval, particularly one in which Iran had a large influence, would result in a regime that would oppose any US presence in the area and would pressure countries in the region to reduce ties to the United States.

Among the scenarios for removal of Saddam Husayn, other than an isolated assassination, a "palace coup" is most likely if the military or security situation deteriorates sharply. Saddam probably would be replaced initially by a collegial party leadership, which would make few policy shifts. This leadership would soon come under great strain as different players jockeyed for power, increasing the risk of further political upheavals.

A broader coup involving the military is less likely during the period of this Estimate. Pervasive security inhibits extended plotting and the security services would have to be co-opted. Saddam has reduced the political role of military officers, and the army, in any case, is preoccupied at the front. Given the secretiveness of the Iraqi system, however, we are unlikely to have advance knowledge of serious plotting.

A general popular uprising is the least likely prospect. Despite an upsurge in terrorist activity in Baghdad, opposition elements appear too weak and disorganized to pose a coordinated threat to Saddam. They

SECRET

25X1

remain unable to cooperate even on the most elemental levels or to agree on the shape of a successor regime. The groups are manipulated by foreign backers who have conflicting goals in Iraq.

Saddam Husayn's removal could usher in an extended period of instability in Baghdad. His successors probably could not maintain Saddam's system of tight control and any post-Saddam regime is almost certain to fall into factional fighting. Only after a succession of weak governments in Baghdad would the chances increase for an Iranian-supported fundamentalist regime coming to power. Even in that case, Tehran could not be confident that such a government would remain responsive to Iran's policy directives over the long run.

SECRET

25X1

DISCUSSION

1. Iraq is trapped in a stalemated war that saps its financial reserves, restricts economic growth, wastes manpower resources, and limits its political options. Baghdad's search for an end to the war remains frustrated by Tehran's declared determination to continue until President Saddam Husayn falls from power or agrees to humiliating terms for peace.

2. Baghdad has few military options. Iraq forfeited early in the war the ability to control the scope and duration of the conflict. It cannot regain the initiative without escalating the fighting and, in the process, decreasing the already slim chances of a political settlement. Consequently, it most likely will continue to wage a defensive war punctuated by occasional air raids or missile attacks against Iranian oil facilities and population centers but also with the possibility of escalating attacks on Iranian shipping.

Military Situation

3. Despite its strategic predicament, the tactical military situation has improved substantially for Iraq over the past year. Since Iranian troops recaptured Khorramshahr in May 1982, Baghdad's forces have repulsed or contained five Iranian offensives. Purges of incompetent senior Iraqi commanders following the Khorramshahr defeat, improved tactical planning, and a greater willingness of Iraqi troops to fight in defense of their own territory have accounted for the improved performance.

4. With new commanders and a more tangible goal, the Iraqi Army's advantages over the Iranians in armor and artillery have begun to play a more important role. (See table 1.) Iraq has more mobile forces, a better organized logistic system, and elaborate defensive fortifications along the border. The Iraqis also have benefited from improved intelligence, especially signal intercept capability. Iraqi commanders almost always have foreknowledge of Iranian moves.

5. The Air Force has sufficient aircraft and weapons to ensure air superiority over the decimated

Table 1

Iraq: Status of Forces

(Estimates as of 1 April 1983)

Ground Forces	
Personnel ^a	350,000
Divisions ^b	14
Armored	5
Infantry	7
Mechanized infantry	2
Main battle tanks	3,075
Armored personnel carriers	1,852
Artillery (over 100 mm)	1,380
Air and Air Defense Forces	
Personnel	30,000
Fighter aircraft ^c	400
Attack helicopters	100
SAM batteries	75-90
Naval Combatants	
Missile patrol boats	7

^a Excludes several hundred thousand paramilitary forces.

^b The Iraqis are creating an additional 10 divisions. Most of these already have a skeletal structure and several are probably already operational.

^c Some 75 percent are operationally ready.

Iranian Air Force. In recent battles, the Air Force—including attack helicopters—has played a more important role.

Iran's Strategy

6. Saddam's overthrow remains Iran's primary declared aim. Iran also will work for his replacement by an Islamic regime. Secondary objectives include forcing a complete Iraqi withdrawal from occupied Iranian territory, obtaining sizable reparations, having Iraq condemned as the aggressor, and repatriating Iraqi exiles.

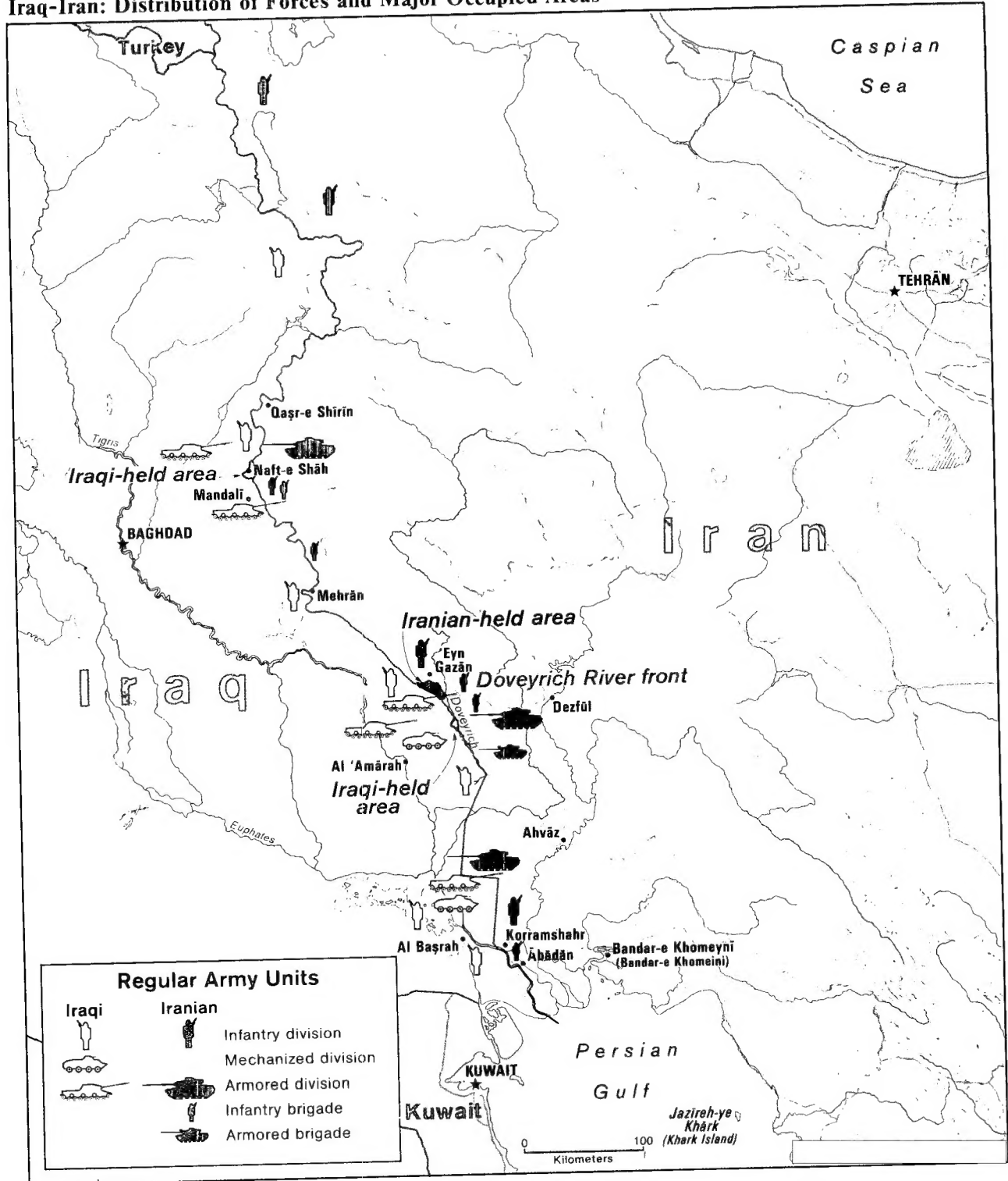
7. To achieve its goals and maintain military pressure on Iraq, Iran has launched major ground offen-

25X1

SECRET

25X1

Figure 1
Iraq-Iran: Distribution of Forces and Major Occupied Areas



634706 7-83

25X1

SECRET

25X1

sives every few months. Continued failures and mounting casualties, however, have caused Tehran to revise this strategy in favor of a less costly war of attrition. A war of attrition allows Iran to maintain military and economic pressure on Iraq while reducing the risk of a popular backlash at home over casualties. The Iranians probably are convinced that, in a war of attrition, their advantage in manpower and their ability to maintain a high volume of oil exports relative to Iraq would guarantee eventual victory. (See table 2.) On the negative side, Iran, unlike Iraq, still has less dependable suppliers of modern weapon systems in quantity, and the Iraqi advantage in this area should increase over time.

8. A strategy of attrition probably will be accompanied by increased assistance to Shia and Kurdish opponents of the Baghdad regime in an attempt to undermine Iraq's internal stability. A small band of Shia dissidents with links to Tehran was responsible for a series of terrorist bombings in Baghdad this spring, including an attack on the headquarters of Air Force Intelligence. Additional bombings and possibly assassination attempts against senior Iraqi officials are likely. As Iran attempts to weaken foreign support for the Iraqi regime, French, and even Soviet and US, installations and personnel could become targets of terrorist attacks.

9. Iran can maintain economic pressure on Iraq by keeping the Gulf closed to Iraqi shipping. This forces Iraq to rely on long and costly transportation routes through third countries and reduces its oil exports to a trickle. Tehran will provide Syria nearly \$1.4 billion worth of oil on concessionary terms during 1983 to ensure that the Iraqi oil pipeline across Syria remains closed. Iran has not closed by sabotage Iraq's sole

remaining oil export route—a pipeline across Turkey—probably to avoid exacerbating tensions with Turkey.

10. Iran will complement its military strategy with a diplomatic campaign to drive a wedge between Baghdad and its Gulf supporters. Iran will play on the fears of weak Gulf governments uncomfortable with a posture of confrontation with Iran. Tehran already is trying to improve relations with Saudi Arabia, the United Arab Emirates, and Kuwait, and these efforts are likely to continue. Tehran also is trying to use the pollution caused by the damaged wells in the northern Gulf to turn both popular and governmental opinion in the Gulf countries against Iraq, so far with only modest success.

Iraq's Likely Response

11. Baghdad's goal is to convince Tehran that it cannot win the war militarily and that continuation of the war, even at reduced levels, is not in Iran's interest. Iraq also wants to convince the major powers that the war must be stopped and that outside parties must work for a cease-fire. (See figure 1.)

12. To achieve these ends, Baghdad must prevent Iran from achieving tangible military success while inflicting the heaviest possible losses on Iranian forces.¹ As was the case during Iran's last offensive in April, Iraq will fight hard to recover even insignificant territory captured by the Iranians to prevent Tehran from claiming a victory. Iraqi ground forces, however, are not likely to launch large-scale offensives of their own because this would increase Iraqi casualties, give Iran the opportunity to conduct a successful defense, and once again give Iranians a tangible goal—defense of Iranian territory—around which to rally its troops.

13. Iraq is responding to Iranian offensives and terrorist attacks inside Iraq by striking Iranian oil installations, cities, and civilian targets with surface-to-surface missiles and with air attacks to underscore for

Table 2

Estimated War Losses

Personnel	Iran	Iraq
Killed in action	110,000-115,000	50,000-60,000
Prisoners of war	7,500	50,000
Tanks	800	1,100
Armored personnel carriers	400-600	1,100
Artillery	400	500
Aircraft	180-190	160-180

¹ Baghdad for many months has boasted that it possesses a secret weapon that can inflict massive casualties and ensure victory. Iraq is trying to develop a chemical warfare capability, but the program is still in the experimental stage. Iraq reportedly has at least 1,000 artillery shells filled with mustard agent but has not used them so far in the fighting. The Iraqis have used tear gas in the fighting, but no lethal or incapacitating agents, against the Iranians. While the use of mustard would inflict heavy casualties on Iran's largely infantry forces, it would not force Iran to end the war.

25X1

SECRET

25X1

Iran that continuing the war is counterproductive. Although such attacks strengthen the resolve of hard-liners in Tehran, Baghdad is likely to continue them until Tehran shows concrete interest in negotiations.

14. Iraq will endeavor to keep the dangers of the war, particularly to oil, fresh in the minds of the Gulf states and outside powers by attacking lightly defended, less important oil targets in the northern Gulf. Such attacks are one of the few military ways Iraq can hurt Iran and counter the impression that only Iran can initiate military action. In addition to hitting Iranian offshore oil installations in the northern Gulf, Iraq has warned that the large petrochemical complex at Bandar-e Khomeyni will be attacked if Japanese firms resume work on the project.

15. Iraq is attempting to increase its capability to attack Iranian shipping throughout the Gulf. France has agreed to loan Iraq five Super Etendard aircraft armed with Exocet antiship missiles, to be delivered by early fall. In addition, Iraq reportedly is having some of the French Mirage F-1 fighter aircraft it has on order modified to carry the Exocet. Iraq has used Super Frelon helicopters armed with the Exocet against shipping in the northern Gulf. Delivery of the Super Etendard aircraft, in particular, would make feasible Iraqi attacks against shipping nearly as far south as Bandar-e Abbas.

16. The Iraqi Air Force already has the capability to seriously disrupt Iranian oil exports. To be successful, however, Baghdad would have to carry out sustained attacks and—if Khark Island were the target—risk significant losses. Should they decide to expand their operations against Iranian facilities in the Gulf, the Iraqis could choose from several possible targets. They could attempt to disrupt activity at Bandar-e Khomeyni, the only Iranian port with a railhead, or destroy pumping stations serving Khark. In addition, Iraqi fighters could be launched against Khark itself—the best defended target—or vulnerable oil tankers en route to or from Khark.

17. Sustained air attacks are more likely if Iraq believes its policy of restraint is clearly leading to defeat and direct involvement of the major powers is needed to force an end to the war. Attacks against Khark and oil tankers probably would prompt Iran to resume a strategy of all-out invasion of Iraq, or attacks on Iraq's Gulf supporters. Iraq's Arab allies almost

certainly will do as much as possible to bolster Iraq and discourage such desperate moves.

18. Iraq will be able to sustain the current low level of fighting for the two-year period of this Estimate. Baghdad will retain a substantial advantage in military equipment for the remainder of the war unless Tehran can open a supply line for large amounts of modern weapons comparable to those already in Iraq. Prospects for such a development are dim; it would require Tehran to improve relations dramatically with Washington, Moscow, or Paris. Iraq will have to guard against a deterioration in troop morale resulting from war weariness as well as avoid tactical errors leading to an Iranian battlefield breakthrough.

19. Finally, the Army's preoccupation with the Iranian threat might be altered by a deterioration of security in Iraq's major cities or in the unlikely event of a major resurgence of Kurdish dissident strength in the north. These events would be likely to force Baghdad to withdraw some troops from the front—a move which undoubtedly would weaken military resolve.

Economic Impact of the War

Economy Deteriorated in 1982

20. The critical weapon in Iran's arsenal has been its ability to severely damage Iraq's economy by closing its oil export terminals in the Gulf. With oil exports at one-fifth the prewar level of 3.2 million b/d and the flow of Gulf state aid at a near trickle by the end of 1982, Baghdad was forced virtually to abandon its economic development program. It also had to draw down its foreign exchange reserves by about \$13 billion. (See figure 2.)

21. Still, the total import bill for 1982 was about \$20 billion, nearly the same as the year before. Sustained import demand reflected Baghdad's commitment to support the war effort, complete high-priority projects, and ensure a steady supply of consumer goods. Iraq was spending an estimated \$1 billion per month in direct costs for the war during 1982. This sum included expenditures for military equipment, fuel, and all war-related construction.

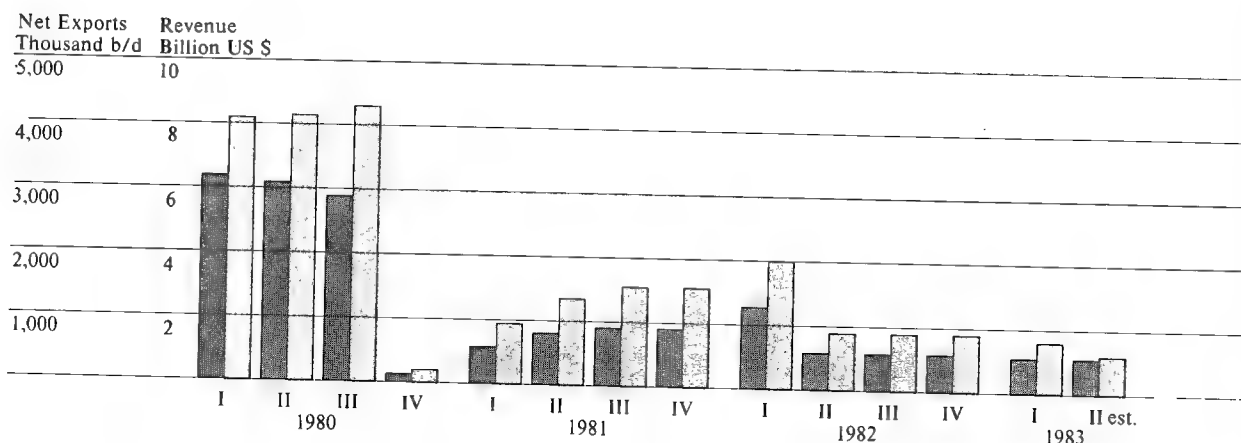
More Revenue Shortfalls in 1983

22. Iraq will earn even less foreign exchange this year than it earned in 1982. Iraq cut its oil price in

SECRET

25X1

Figure 2
Iraq: Oil Exports and Revenues



403675 (A02998) 7-83

25X1

March 1983 by \$5 per barrel—to about \$29—to realign it with the new OPEC benchmark. As a result, oil export revenue, which accounts for virtually all of Iraq's earnings, will reach only about \$7.0 billion, compared with \$9.4 billion in 1982. Every \$1-per-barrel cut Iraq is forced to make forces the regime to cut expenditures by an additional \$260 million, or to find that much additional financial assistance from abroad.

23. Iraq cannot substantially increase its own oil exports, although other Arab producers can supply oil to Iraq's customers. As long as Iran provides Syria with oil, Damascus has little incentive to reopen the Iraqi oil pipeline (capacity 1.2 million b/d) this year. Syria is likely to continue resisting pressure from both the Soviets and the moderate Arabs to reopen it. The planned expansion of the Turkish pipeline (capacity 700,000 b/d)—now Iraq's only export route—will not be completed until 1984. Although Baghdad and Riyadh have agreed in principle to a pipeline across Saudi Arabia to the Red Sea, the line is unlikely to be completed before 1985, if at all. (See figure 3.)

24. Iraq will not be able to fall back on its foreign exchange reserves in 1983 as it did in 1982. (See figure 4.) Reserves have plunged to less than \$8 billion from about \$35 billion before the war. Reflecting the squeeze for ready cash, Iraq has been liquidating interest-earning assets prior to their maturity.

Diminished Financial Assistance

25. We believe the Gulf states—Saudi Arabia, Kuwait, Qatar, and the UAE—will provide sufficient, direct aid to Iraq in 1983 to prevent the collapse of Iraq's resistance to Iran due to financial strains. The Gulf countries face financial difficulties of their own because of the soft oil market. Saudi Arabia, the largest benefactor, for example, will itself have to dip into reserves this year no matter what aid it eventually gives Iraq.

26. Direct Gulf aid, however, will probably be less than in 1982. So far this year Saudi Arabia, Kuwait, and the UAE have provided Iraq with about \$1 billion and additional Iraqi belt tightening will be necessary.

27. Saudi Arabia and other Gulf allies will continue to underwrite Iraqi arms purchases. The \$250 million the Saudis have given in 1983 apparently is earmarked for French and Egyptian arms purchases. Riyadh earlier had paid for Iraqi purchases of Egyptian military hardware worth about \$220 million, according to reliable sources. Kuwait, the UAE, and Oman, to a lesser extent, also have funded Egyptian and West European arms sales.

28. To augment their monetary aid to Baghdad, the Gulf states—principally Saudi Arabia—also will con-

SECRET

25X1

Figure 3
Iraq: Major Oilfields and Pipelines



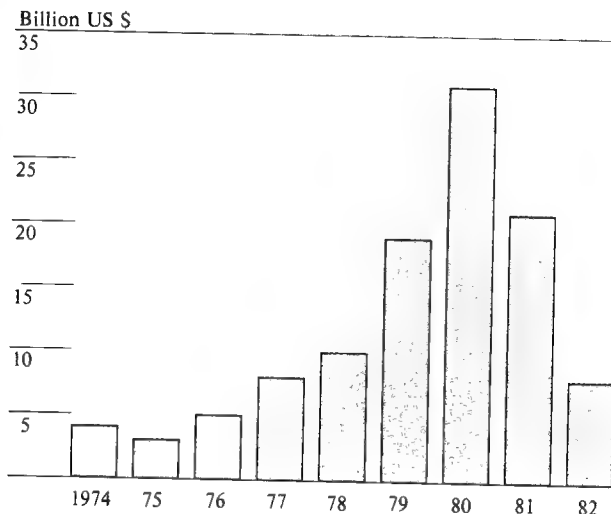
634678 7-83

25X1

12
 SECRET

SECRET

Figure 4
Iraq: Foreign Exchange Assets



403674 (A02995) 7-83

tinue exporting oil on Iraq's behalf. Saudi Arabia so far has delivered about 270,000 barrels per day to Iraqi customers during April-June. Nearly all this oil has been delivered to Japan and India. India makes payments to the USSR which, in turn, credits Iraq's arms purchase account.

29. The weak world oil market probably will make it difficult for these countries to sell more than about 300,000 b/d—worth a maximum of \$3.2 billion—for Iraq during the rest of the year without price discounting. As a result, total aid from the Gulf, both in direct payments and oil sales, probably will not exceed the previous level of \$5.5 billion in 1982.

30. Wary of Iraq's creditworthiness and its inability to win the war, Western banks are unlikely to lend Iraq substantial amounts during 1983. The \$500 million Baghdad received in April was a weak response to its request for aid; only three of the 10 participating banks were non-Arab.

Retrenchment Ahead

31. With few other economic options, Iraq will be forced to cut imports sharply in 1983. (See table 3.) We

Table 3

Iraq: Current Account Balance and Financing Arrangements

	(Billion US \$)		
	1982	1983 ^a	
		A	B
Exports (f.o.b.)	9.7	7.0	7.0
Oil	9.5	6.7	6.7
Nonoil	0.2	0.3	0.3
Imports	-19.4	-16.1	-12.0
Trade balance	-9.7	-9.1	-5.0
Net Services and Private Transfers	-7.1	-5.9	-5.4
Freight and insurance	-3.5	-2.5	-2.2
Investment income	1.6	0.6	0.7
Other	-5.2	-4.0	-4.0
Grants	-1.0	0	0
Current account balance	-17.8	-15.0	-10.5
Financing the Current Account			
Gulf state aid	5.5	2.0	1.0
Commercial loans	0	0.5	0.5
Arrearages	0	5.0	3.0
Saudi oil sales	0	2.5	2.5
Reserves	13.0	5.0	3.5
Total	18.5	15.0	10.5

^a Possible scenarios. Alternative import spending and current account balances depend on assumed levels of foreign assistance and reserve drawdowns.

estimate they will fall to between \$12 billion and \$16 billion compared with \$20 billion in 1982. Baghdad told foreign companies that overall expenditures this year will be 60 percent of 1982 spending levels. To cover even these reduced import levels without further drawing down reserves, Baghdad still will need between \$10 billion and \$15 billion in additional funds. Because we believe financial help from abroad will fall short of these requirements, Iraq will be forced to draw down reserves again this year by as much as \$5 billion.

32. The war effort will continue to receive top priority during the term of this Estimate. Iraq probably will continue to sign new contracts this year to meet its military requirements.

33. Industry and the consumer will bear the brunt of the import reductions. Imports of manufactured

SECRET

25X1

goods will decline as Iraq completes existing projects and postpones most new construction projects. Early 1983 trade data for some of Iraq's key suppliers indicate that imports of heavy industrial machinery, heating and cooling equipment, and steel are well off last year's pace. Consumer goods imports from Japan, Iraq's second-largest trading partner, were down a whopping 80 percent during January-April from the same period last year. Purchases of passenger cars have dropped sharply.

34. Iraq cannot significantly trim imports of foodstuffs; its agricultural sector does not provide nearly enough food for self-sufficiency. Iraq must import roughly 55 percent of its total grain needs.

Seeking Financial Reprieve

35. Iraq probably will be able to defer payments worth several billion dollars to its trading partners this year to help cover its foreign exchange shortfall. Baghdad already has arranged credit terms for food imports from several countries including Canada, Australia, and the United States. It is also negotiating with foreign contractors from several Western countries, the most important being Japan, West Germany, France, and the United Kingdom, for delayed payments on a wide variety of civilian projects now under way. Negotiations currently are stalled because Iraq is holding out for more favorable credit terms on its debts, including an estimated \$1.2 billion that Iraq will owe for work on West German industrial projects. Iraq also requires many firms bidding on contracts to offer their own financial packages as a prerequisite for new orders.

36. Iraq also will press harder for financial concessions from its major arms suppliers. Baghdad already has arranged to provide \$530 million worth of crude oil annually to help finance most of its \$5 billion arms debt to France. Iraq also has reached an agreement to meet its 1983 financial obligations to the USSR for military hardware with Saudi Arabian oil worth about \$1.2 billion.

37. Most exporters probably will go along with Iraq's requests for deferred payments and more concessionary terms in anticipation of eventual improvement in Iraq's economic situation, and because they can do little to force payment anyway. They, no doubt, expect their help now to enhance their business opportunities in Iraq after the war.

Political Impact of the War

Weakness of the Regime

38. Saddam has been politically weakened by the conflict with Iran. He is locked in a war of attrition, the duration of which depends on a regime that regards his defeat as a religious duty. Economic development has come to a virtual halt, and the demands for sacrifices on the part of the population will grow more onerous. Iraq's ability to exploit its primary source of wealth—oil—is hostage to the Khomeini regime.

39. The key political cost for Saddam is that he has had to assume ultimate responsibility for the war among the civilian and military leadership. He has concentrated power more narrowly in his own hands and confined decisionmaking to a small handful of supporters, probably alienating many others in the Iraqi elite. Purges of both the military and civilian leadership ranks may have tightened his immediate control, but they probably have also resulted in blood debts and further narrowed the base of those committed to his rule.²

40. Saddam will be blamed also for the collapse of Iraq's key foreign policy goals because of the war. The war has set back Baghdad's near-term hopes of assuming a more dominant position in the Arab world as a result of the opening provided by Egypt's ostracism after the signing of the Camp David accords, and in the Persian Gulf as a result of Iran's revolution. Iraq is more dependent on its neighbors in the Gulf, and

² Decisionmaking in Iraq is a closely held and highly personal process, and the state apparatus is authoritarian. Party and government structures overlap in Iraq, with the same individuals holding the top posts in each structure. At the top is the President, who is also chairman of the nine-member ruling Revolutionary Command Council (RCC), which exercises power by decree. The President also heads the Ba'th Party, Iraq's only significant political party, which he rules through the Regional Command, a Soviet-style presidium. Divergent ethnic and religious groups, as well as strong family and clan rivalries, have hampered regime efforts to build a stable, cohesive political and social structure in Iraq. The Iraqi leadership is largely Sunni Arab, and dominated by Saddam's powerful Tikriti clan. For a more detailed description of the political and social system in Iraq, see NESA 82-10620, *Iraq: A Handbook*, December 1982.

SECRET

25X1

attempts to reduce Moscow's leverage have slowed because of the increased importance of the Soviets as an arms supplier.

41. It is not possible to predict whether the costs of the war will prove fatal to Saddam Husayn. But, in our judgment, his is a more brittle regime than three years ago, more narrowly based on family and Tikriti tribal ties and more reliant on fear as an instrument of control. Although he maintains tight control over the government and party and his opposition is weak and scattered, he remains vulnerable to serious deterioration in the economy or the military situation. He will be further weakened if he becomes the personal focus of blame by the war-weary populace.

Strengths of the Regime

42. No opposition group or alignment, in our estimation, has enough unity or strength to unseat Saddam Husayn. The numerous exile opponents are weak, disorganized, and manipulated by governments opposed to Iraq. Domestically, the government demonstrated considerable resiliency during the repeated Iranian military assaults in 1982. Moreover, Iraq's ubiquitous security service, one of the largest and most ruthless in the Middle East, dominates with repression. Given the secretiveness of the Iraqi system, however, we are unlikely to be forewarned of serious plotting.

43. Saddam has a well-deserved reputation as a ruthless survivor. Last year, when Iraq was losing on the battlefield, he quickly moved to curb opposition within the government and the Ba'th Party. In June 1982 he packed the Ba'th Party Regional Command with loyalists and scaled down the ruling Revolutionary Command Council, removing supporters of ex-President Bakr and others who had voiced criticism of Iraq's conduct of the war.

44. Saddam continued the purges in late 1982; several officials removed from office in June lost their party credentials in December, and at least one—the ex-Minister of Health—was executed, reportedly for incompetence. The death of Bakr in October removed the major rallying point for those in the leadership opposed to Saddam, and no other figure has emerged from the party or military as a significant rival.

45. Military revolt against Saddam Husayn is unlikely under the present circumstances. Although reporting is limited, there do not appear to be significant

morale problems in the military. The Army remains preoccupied with the war, and no major military units outside of the Republican Guard are stationed in Baghdad. Saddam uses forced retirements and frequent transfers to prevent officers from gaining broad-based support inside the military. After the fall of Khorramshahr, Saddam was able to defuse the military's growing anger at political interference by removing Ba'th Party appointees within the military who were held responsible for the defeats. The regime also provides the military with special benefits and privileges.

46. Saddam does not yet appear to be the main target of public dissatisfaction despite indications that already fragile public morale continues to erode. Most of the populace reportedly still blame Iranian intransigence for the stalemated conflict and believe they must band together in the face of the external threat. Saddam also is the center of an elaborate personality cult, and makes frequent public appearances to stress his image as an accessible leader. The Iraqi leadership, moreover, probably recognizes that Saddam's successor would face the same economic difficulties, and does not see Saddam's removal as a likely way to end the war. If Saddam became the focus of domestic blame for the war, or if powerful elements in the Iraqi leadership believed his removal would pacify Iran, his position would be seriously weakened.

Possible Succession Scenarios

47. Should Saddam be removed, the process of succession might develop in several ways. Any successor regime from the Ba'th Party or military would come under immediate pressure from the war. Even an Islamic fundamentalist regime, which could end the conflict, probably would be plagued by factional infighting.

48. **Assassination.** The greatest threat to Saddam is assassination. He has survived several such attacks in the past. His frequent public appearances increase the risk of a successful attack. Saddam has a long list of enemies—those purged from power, opposition elements long sworn to his removal, and disgruntled victims of the disruptions caused by the war.

49. **Palace Coup.** The danger of a coup by some of the current leadership would grow if the military or security situation were to deteriorate to the point that they judged their own survival was in danger, or if

SECRET

25X1

Figure 5
Iraqi Leaders



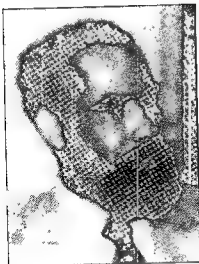
Saddam Husayn

Iraq's de facto strongman since the early 1970s; President of Iraq, Chairman of the Revolutionary Command Council, and Secretary General of the Ba'th Party; the primary architect of Iraq's authoritarian political system, and the dominant power in Iraqi foreign and domestic policy; 46.



Taha Yasin Ramadan

First Deputy Prime Minister since 1979; Commander of the People's Army since 1975; an ambitious and crafty politician—with many supporters in the party, the government, and the People's Army; often said to be Saddam's most formidable rival, is nevertheless entrusted with considerable authority; about 44.



Barzan Ibrahim al-Tikriti

A younger half-brother of Saddam and probably Saddam's most trusted adviser; chief of General Intelligence Directorate (Mukhabarat) since 1979; also has supervisory authority over all other security mechanisms in Iraq; about 32.



Izzat Ibrahim

Vice Chairman of the Revolutionary Command Council since 1979; influential in Iraq's economic and Persian Gulf policy; chairman of the politically sensitive Ba'th Party Military Bureau, which controls appointments, transfers, retirements, and promotions of military officers; about 40 years old; devout Sunni Muslim.



Adnan Khayrallah

Minister of Defense since 1977; Deputy Prime Minister and Deputy Commander in Chief of the armed forces since 1979; a cousin and brother-in-law of Saddam, who relies on him to ensure the loyalty of the armed forces, but not popular among the officer corps; viewed as a symbol of political interference in military affairs; about 42.



Tariq Mikhayl Aziz

One of Saddam's most trusted advisers and a flexible, skilled politician; RCC foreign affairs director since 1979, and Foreign Minister since January 1983; unlikely to accede to the presidency because he is a Christian; the regime's most important official in shaping foreign policy; about 46.

403672 7-83

25X1

SECRET

25X1

they sensed that Saddam was about to carry out a preemptive purge in the wake of an unfavorable settlement with Iran. The political threat to the leadership does not seem severe enough to make such a move likely in the near future, and key leaders probably judge that they remain more secure with Saddam in power.

50. **A Coalition Government.** Either of the scenarios above would probably result in coalition of senior figures in the regime. Among Saddam's most powerful lieutenants are Vice Chairman of the RCC Izzat Ibrahim and Deputy Prime Minister Taha Yasin Ramadan. (See figure 5.)

51. Izzat Ibrahim would be a candidate to succeed to the presidency, although health problems and his apparent preference for a subordinate role make him an unlikely candidate to assume full power. He is widely respected, making him an attractive figurehead for behind-the-scenes power brokers. A longtime regime loyalist who has held several sensitive posts, Ibrahim is a devout Muslim who has had little contact with Westerners.

52. Ramadan, 44, a ruthless and ambitious politician, is the second most powerful man in the government and the most likely figure to replace Saddam. He has been heavily involved in both foreign and domestic policy and reportedly is less hostile to the Soviets than Saddam. He is strengthened by his nominal command of the People's Army, the 350,000-man Ba'th Party paramilitary force. Ramadan, however, is unpopular with the Tikriti clan and distrusted by the regular military. He would face considerable opposition to his openly assuming power, and might, therefore, prefer initially to try to exercise power from behind the scenes.

53. Saddam's own Tikriti clan would continue to play an important role in any collegial government, because they dominate the Ba'th Party and are scattered throughout the military and security services. Barzan Ibrahim al-Tikriti, the head of the Mukhabarat, and Adnan Khayrallah, the Minister of Defense, along with senior Tikriti officers and officials and their supporters from other key Sunni clans, initially would be most influential. Foreign Minister Tariq Aziz, increasingly influential under Saddam, might play a useful role. But Tariq is a Christian, and he would have difficulty establishing himself as the leader of a Sunni-dominated government. Shia officials like Naim

Haddad, head of the National Assembly, would be given a high profile to reassure the Shia population.

54. A collegial leadership probably would not make major changes in foreign policy. The leaders' first priority would be consolidating power and extricating Iraq from the war. We would expect them to continue close relations with moderate and Gulf Arabs. They could make overtures to Syria and Libya to try to reduce their support for Iran, but are unlikely to move far in this direction. They would keep relations with Moscow correct, to ensure sufficient arms supplies, but like Saddam Husayn, these new leaders would have doubts about Moscow's reliability as an ally.

55. Although the initial transfer of power to a collective leadership might be relatively smooth, the coalition would be under great strain, and jockeying for power would be intense because of the absence of a dominant figure to arbitrate disputes. We cannot predict who would ultimately seize power, but given the conspiratorial backgrounds of the current leadership and Iraq's political history, the struggle probably would be violent. The breakdown of collegial rule would undermine Iraq's ability to pursue a coherent foreign policy, disrupting Baghdad's trend toward alignment with moderate Arabs and closer political and economic ties with the West.

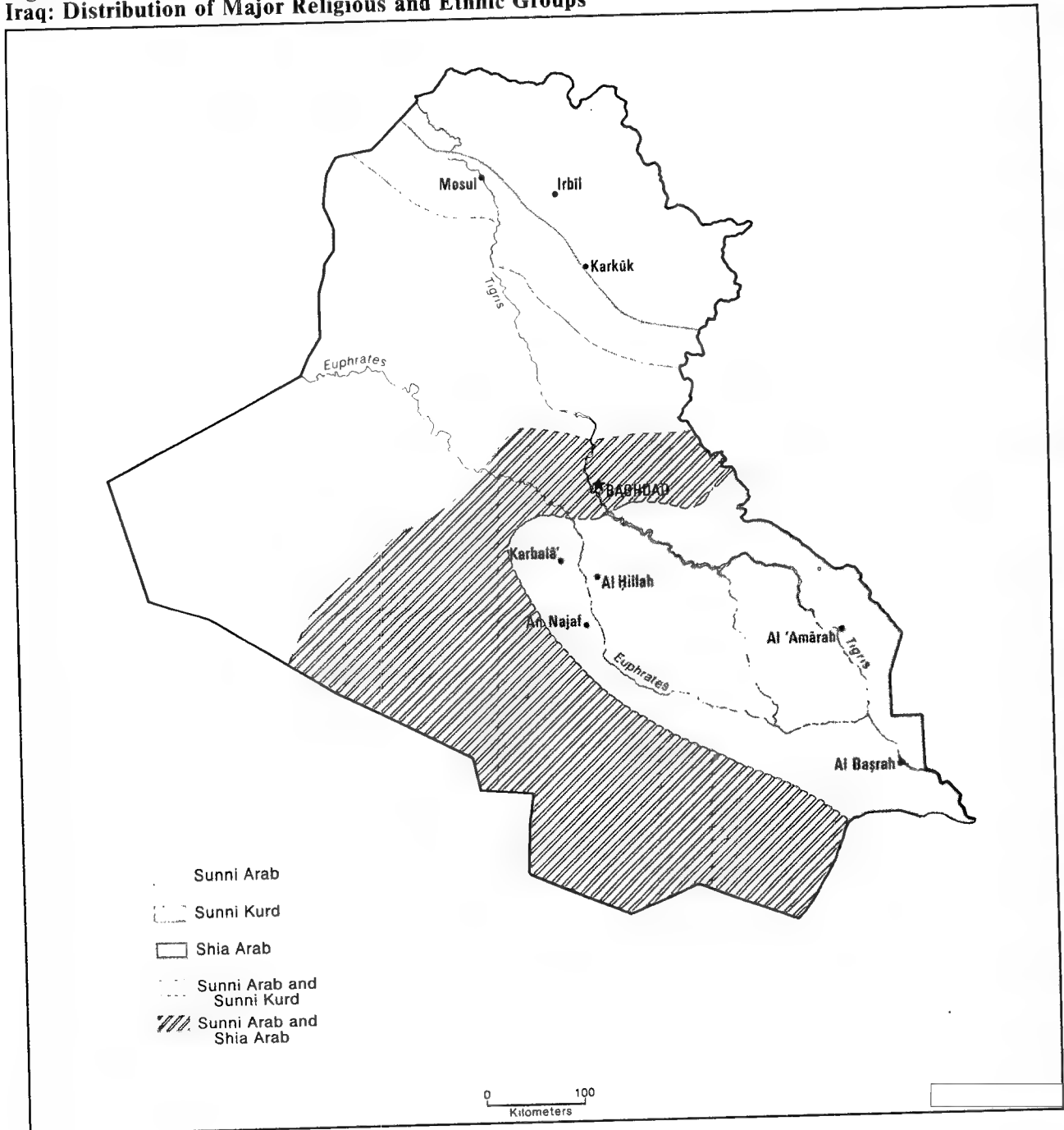
56. An unrestrained internal power struggle would weaken the central government and accentuate the serious sectarian and ethnic divisions in Iraqi society. A battle at the top likely would usher in a period of instability similar to the turbulent era between the fall of the monarchy in 1958 and the consolidation of Ba'th rule in 1968. In such a climate, the possibility of a broader coup—probably involving the military—or a general uprising against the Ba'th leadership engineered by traditional opposition elements increases substantially.

57. **A Broader Government Coup.** Should public confidence in the regime deteriorate substantially as a result of military or economic setbacks and the security forces prove unable to maintain order, a broader group of anti-Tikriti elements in the party, supported by the military, might be tempted to move against Saddam and the ruling elite. Pervasive security makes such coup plotting difficult, however, and key military, party, and security figures would have to be co-opted.

SECRET

25X1

Figure 6
Iraq: Distribution of Major Religious and Ethnic Groups



505952 7-83

25X1

SECRET

25X1

58. Such a wholesale change in leadership would probably mean a continuation of Ba'th Party rule at least temporarily. The resulting leadership might be plagued, however, by rivalry between party and military similar to that of the early 1970s. Saddam might be made a scapegoat for Iraq's problems, but the new regime would still have to make peace with Tehran. Such a regime, moreover, might mark a return to policies less accommodating to US interests, particularly if those seizing control blame Iraq's current difficulties on its abandonment of revolutionary Ba'thist goals.

59. **General Uprising.** A serious challenge to the regime from outside the current power structure is the least likely prospect in the term of this Estimate, barring a collapse of the military and security forces or a decisive victory by Iran. The inability of the four main opposition groups—the Iranian-sponsored Shia Dawa Party, Syrian-supported Iraqi exiles, the Kurds, and the Iraqi Communist Party (CPI)—to cooperate even on the most elemental levels or to agree on the shape of a successor government allows the regime to deal with each threat singly. Moreover, each of the groups is manipulated by foreign backers—Iran, Syria, and Libya—who have competing goals in Iraq.

60. The prospects for an opposition takeover that radically changed the composition and policies of the Iraqi Government would increase substantially if the Iraqi Government began to unravel in a series of coups. In such a scenario, the Shia Dawa Party, supported militarily by Iran and espousing the establishment of an Islamic Republic on the Iranian model, would appear to be the strongest candidate ultimately to seize power.

Opposition Groups

61. **Dawa.** Iraq's Shias make up some 55 percent of the population and reportedly about 75 percent of the enlisted ranks of the armed forces. (See figure 6.) The largest and most influential Shia dissident group, Dawa, however, probably has no more than a few thousand members. It receives financial aid, arms, safehaven, and training from Iran. In late 1982 Dawa formed an Iraqi government-in-exile, which is under Iranian control.

62. Appeals by Shia dissidents to revolt appear to have had little impact on the Iraqi populace. This suggests that the Iraqi Government and internal secu-

rity services would have to become disorganized before a Shia revolt could develop. In such a situation, however, the proximity of Iranian military support and the high proportion of Shias in the enlisted ranks of the Iraqi military would significantly boost Dawa's chances of success.

63. A Dawa-based government would pursue a radically anti-US foreign policy. It would probably assist Iran in subverting the Sunni Arab regimes in the Gulf and in Jordan. It would align with Syria and Libya in the Arab-Israeli dispute, probably pressing both to be even more militantly anti-Israeli. Serious rivalry between an Iraqi Shia fundamentalist government and the regime in Tehran is likely, however. The Iraqi Shia government-in-exile in Tehran and Iranian leaders have already disagreed over who should control the movement.

64. **Syrian-Supported Opposition.** The Syrians support several small groups of former Iraqi politicians and military officers opposed to the present regime in Baghdad. The Syrians would like to see Saddam Husayn replaced by another Ba'th Party politician or a military officer whom they could influence or even control. Damascus does not favor the establishment of a Shia fundamentalist regime in Iraq and probably would work against such a regime.

65. The Syrian-supported opposition groups—headed by former Iraqi General Naqib—have little influence inside the country and no hope of overthrowing the Ba'th Party and the present ruling elite by themselves. Their only hope—and a slim one—would be to take over in a military coup as the present power structure unraveled and before the Dawa could move.

66. A government run by the Syrian-supported exiles would be vulnerable and unstable as none of the exiles has a large personal following in Iraq or a persuasive claim to legitimacy. Such a government would assume a hard line on the Arab-Israeli dispute, would be somewhat more anti-US than the present regime, and might take a more hostile position toward Saudi Arabia and the Gulf states.

67. **The Kurds and Communists.** Kurdish dissidence will probably remain more of a nuisance than a threat to the Iraqi regime for the next two years. There has been a modest upswing in opposition activity by Kurdish rebels stimulated by Iranian prodding, but they have only a few thousand armed supporters. The two major groups—the Kurdish Democratic Party

SECRET

25X1

and the Patriotic Union of Kurdistan—remain at odds with each other, mostly over rivalry for leadership and local support.

68. The small Iraqi Communist Party is split into competing factions, with most of its leadership in exile. Party activity inside Iraq is limited primarily to Kurdistan, where several hundred guerrillas operate in small groups. They have established links with some Kurds, but have failed to develop ties to Dawa. The improvement in relations between Moscow and Baghdad will not ease government pressure on the Communists.

Regional Implications

Iraq's Foreign Policy

69. Before the war, Iraq used its oil wealth and greater political self-confidence to play a larger role in Arab and nonaligned politics. It was a leading advocate of radical politics, and it expanded its support for the Palestinians and other leftist, revolutionary movements and regimes. It had begun to develop closer ties to moderate Arab states, despite sharp ideological differences, to strengthen the appearance of Pan-Arab unity. Relations with Syria—its Arab archenemy—remained hostile, however, and Iraq lobbied to replace Iran as the key protector of the Gulf.

70. The war has forced Baghdad to moderate many of its more antagonistic policies toward its conservative Arab neighbors and its strident opposition to Israel and the West. To gain needed financial and political support from the Gulf, Baghdad has had to abandon temporarily its long-term goal of radicalizing the political climate in the region and to depend heavily on regimes that Iraq traditionally has viewed as reactionary.

71. Iraq appears to have stopped virtually all economic aid to leftist regimes and opposition movements it had sought to cultivate before the war. With the military tied down by the war, Iraq has been unable to threaten either Israel or Syria. Iraq lost the opportunity to assume leadership of the Nonaligned Movement when Iranian threats forced the cancellation of the seventh Nonaligned Summit in Baghdad in 1982.

72. After the war Iraq will quickly try to reassert its claim to leadership in the region, which will increase tensions with Egypt and Saudi Arabia. If the war ends on terms even moderately satisfactory to Iraq, Bag-

dad will claim to have stopped the spread of Iranian-style fundamentalism. Relations with moderate Arabs probably will become more problematic as the need for financial support diminishes. Should the war end during the period of this Estimate in a way that allows Iraq to increase oil exports, pressure on the regime will lessen considerably.

73. One troublesome issue still unresolved is Iraq's disputed border with Kuwait. Iraq has delayed settling the issue throughout the war, and Baghdad is likely to seek territorial concessions from Kuwait—possibly through a long-term lease—after the conflict, particularly as it increases the size of its navy. Kuwait has already refused Iraqi claims to disputed territory, proposing instead to lease territory to Iraq. The dispute is likely to worsen if Baghdad's economic dependence on the conservative Gulf Arabs diminishes after the war.

74. Iraq will toughen its rhetorical stance on most foreign policy issues important to the West. It will have more opportunity to give financial support to leftist regimes and opposition movements and will take a harder line on the Arab-Israeli issue. It will also lobby for inclusion in regional security arrangements for the Persian Gulf that exclude Iran, and generally oppose overt superpower involvement in the area.

75. Iraq will still be faced with a hostile Syria and Iran, so it will not risk alienating those countries on whom it must depend economically and logistically, particularly Saudi Arabia, Kuwait, and Jordan. Because of Jordanian support in the war, Iraq also would probably give Jordan assistance in any future conflict with Israel. It will also seek to reduce its military dependence on the Soviets and will seek Western economic aid in Iraq's postwar reconstruction and development.

The View From the Gulf

76. As long as the war continues, we expect the Saudis to continue to back Saddam with logistic support and financial aid (albeit less than he wants). They regard Saddam as the lesser evil and have already invested heavily (more than \$21 billion in loans and grants) in his regime as a counterweight to revolutionary Iran. They need to preserve Iraq as a security buffer to Iran.

SECRET

25X1

77. The Saudis and others would fear any change in regime in Baghdad because of its potential for destabilizing the region. They believe Saddam's downfall would weaken Iraq's ability to resist Iranian military pressure, encourage Iran to pursue its aims more aggressively elsewhere in the Gulf, or even result in a new regime in Baghdad inimical to their interests.

78. A Shia revolt or takeover in Iraq would particularly frighten them. The Bahrainis and Kuwaitis, and to a lesser extent the Saudis, would fear unrest among their own sizable Shia populations. Faced with the possibility of Iran and Iraq working in concert to spread revolution, the Saudis and other Gulf Arabs would seek private, and perhaps even public assurances of US support. They also probably would try to appease Iran.

79. If Saddam's successors worked to check Iranian ambitions in the Gulf, the Saudis would be supportive. Riyadh might even welcome Saddam's ouster if it offered a chance to end the war on terms that preserved a rough balance of power between Iran and Iraq.

80. The war has had some fortuitous consequences for Gulf states. It has drained the strength and resources of two larger neighbors who have often bullied them. The war opened the way for creation of the Gulf Cooperation Council. The decline of Iraqi oil production at the onset of the slump in the oil market was welcome. Ending the war would lead to the reemergence of Iraq as a major oil exporter and almost certainly would cut into the Gulf states' share of the oil market and put additional downward pressure on oil prices. In addition, Iran would press them to help pay war reparations.

The Radical States

81. Syria is deeply hostile to the current regime in Baghdad, convinced that Saddam is bent on overthrowing the regime of President Hafiz al-Assad. Assad believes that Iraq actively supports the Muslim Brotherhood in Syria, and accuses the Iraqis of assisting the antiregime uprising in Hamah in February 1982. In return, Syria has supported various Iraqi opposition groups and has strengthened its ties with Iran.

82. As long as the regimes of Saddam and Assad survive, Syrian-Iraqi hostility is likely to continue. The

mutual fear and suspicion of the two regimes is reportedly reinforced by an intense personal hatred between the two leaders. The Iraqi pipeline through Syria probably will remain closed, and Syria will continue cooperating with the Iranians, in order to overthrow Saddam. The continuing hostility also means that Iraq almost certainly will provide little or no military help to Damascus in the event of a major clash with Israel during the term of this Estimate.

83. Syria would welcome a nonfundamentalist regime to replace Saddam in Baghdad, particularly if it presaged reduced hostility. Syria probably would follow up with early gestures of support, such as the reopening of the oil pipeline, and high-level discussions of closer ties. Syria, which currently bills itself as the only frontline Arab state opposing Israel, would be likely to seek Iraq's diplomatic and military cooperation. Iraq and Syria, however, are regional competitors for influence, and conflicting goals and interests would make any Syrian-Iraqi rapprochement short lived.

84. If a fundamentalist regime were to replace Saddam Husayn, Assad would fear that Shia fundamentalists would add their weight to the effort by the Muslim Brotherhood in Syria to topple him. President Assad would also move away from Iran, and possibly improve his ties with both Saudi Arabia and Jordan to counter the fundamentalist threat.

85. Libya has little ability to influence events in Iraq, despite Libyan leader Qadhafi's antipathy toward Saddam Husayn and his sense of revolutionary alliance with the Khomeini regime. Libya provides Kurdish oppositionists with small amounts of arms, funds, and training, and has also disbursed funds to Iraqi religious opposition groups. Libya would oppose the creation of an Islamic republic in Iraq under the influence of Iran, preferring a coalition of leftists, Kurds, Shia, and dissident exiled military officers, with whom Libya would hope to curry favor.

86. Relations between Iraq and Algeria have been correct but not close. The current Algerian leadership would most likely take a neutral position in response to a change of leadership in Baghdad and would remain willing to mediate a settlement to the Iran-Iraq war. Algerian leaders, concerned over the spread of Islamic fundamentalism at home, would be greatly troubled if Islamic fundamentalists came to power in Iraq, but could do little to influence events in Baghdad.

SECRET

25X1

Relations With the Superpowers

87. The war has not significantly altered Iraq's relations with the Soviet Union or the United States. It has prolonged Iraq's dependence on the Soviet Union for arms, and may deepen that dependence if the war drags on. Relations with the United States have improved and are likely to continue to do so as Baghdad seeks ways to loosen the Iraqi-Soviet link. Many obstacles remain, however, in the way of close ties between Baghdad and Washington.

The Soviets

88. Iraqi-Soviet relations have run an uneven course in recent years. The two countries signed a friendship and cooperation treaty in 1972, leading to increased Iraqi purchases of Soviet weapons and expanded Soviet economic projects in Iraq. Relations began to sour in the mid-1970s when Moscow withheld arms during Baghdad's crackdown on the Kurds. They worsened when Baghdad suppressed the CPI in the late 1970s, and began to use its expanding oil revenues to reduce Iraqi dependence on Soviet arms and to modernize and develop its economy with Western assistance. Relations plummeted when Moscow again briefly embargoed arms shipments at the outbreak of the war with Iran, and they remained poor through 1981.

89. Soviet-Iraqi relations have improved since the spring of 1982. The two countries negotiated major new arms deals in April and in December 1982. Both sides now publicly describe their relationship in positive terms. The Soviets [redacted]

[redacted] have been more supportive politically of the Iraqi position on a settlement of the war since Iranian forces crossed into Iraq in July 1982. The USSR has backed Iraqi-inspired UN Security Council resolutions calling for an immediate cease-fire and withdrawal of forces to prewar boundaries.

90. Moscow's more cooperative attitude stems from its wish to reverse Iraq's turn toward the West, its despair of any short-term gains in Iran, and its fear that Iran's counterinvasion of Iraq might succeed in establishing a new Islamic fundamentalist regime near the USSR's southern border. From Moscow's perspective, the risk that a Soviet tilt toward Iraq would open the way for reestablishment of US influence in Iran

seemed much lower in the spring of 1982 than it had in the early days of the revolution. Khomeini had crushed all major opposition, and the regime's anti-American rhetoric was as shrill as ever. The Soviets also concluded, according to an authoritative article in the CPSU party journal in July 1982, that the prospects for the Iranian revolution swinging to the left were declining. They apparently judged that as long as Khomeini lived, Soviet influence in Iran would be minimal.

91. The Soviet-Iraqi rapprochement probably will continue in the next two years if the war drags on. Baghdad, despite its wish to diversify weapons supplies, cannot afford to jeopardize its access to Soviet arms. Moscow, in turn, wants to preserve its share of the lucrative Iraqi arms market and reverse, or at least slow, Baghdad's shift toward alternative sources. A faction within the Iraqi leadership—although probably a minority—reportedly favors maintaining close ties with Moscow, and some elements of the military probably would support such ties, at least until reliable alternate military supply relationships have been solidified. The Soviets presumably have some influence through their large mission in Iraq, which includes at least 1,000 military and 5,000 economic and technical advisers.

92. Certain factors, however, preclude a return to the close relationship that existed at the time of the signing of the Friendship Treaty in the early 1970s. First, mutual distrust between Moscow and Saddam remains high. Moreover, the Soviets will have to weigh the effects of a full rapprochement with Baghdad on their ties with Syria. They will want to avoid antagonizing Syrian President Assad's regime, their most important ally in the Middle East and a strong supporter of Iran, by developing too close a relationship with Syria's archenemy, Saddam Husayn. Most importantly, despite the present poor state of Soviet-Iranian relations, we believe Moscow still considers Iran more important geopolitically than Iraq, if for no other reason than that the USSR and Iran share a border of more than 1,500 miles. Moscow will want to be careful not to tilt so far toward Baghdad that it convinces some Iranian leaders to rethink their hostile posture toward the United States.

93. The Soviets probably would prefer to see Saddam removed, as long as they were confident that he would not be replaced by an Iranian-dominated Shia

25X1
25X1

SECRET

25X1

regime. If Saddam were simply replaced by his chief deputies, chances are they would share his distrust of the Soviets, although they probably would not allow this to dominate Iraqi policy toward the USSR. Moscow might seek to ingratiate itself by offering the new leaders better credit terms on arms purchases and more advanced weaponry, and possibly intelligence and security support to help maintain them in power.

The United States

94. Relations between the United States and Iraq have improved over the last few years as the United States has sought to capitalize on Iraq's desire to reduce its economic and military dependence on the Soviet Union and to exploit Western technology to develop its economy. The United States has not had formal diplomatic relations with Baghdad, however, since the 1967 Arab-Israeli war. Iraq not only severed diplomatic relations with Washington but suspended oil shipments to the United States as part of the 1967 Arab oil embargo and established a general boycott of US goods, which remained in effect until 1973.

95. Commercial ties have grown steadily since 1973, and US firms have received a wide variety of contracts for projects, primarily in the oil sector. In 1981 the Iraqis further expanded opportunities for US businesses in Iraq by allowing participation in the annual Baghdad International Trade Fair. Iraq purchases large quantities of American agricultural products and has a growing appetite for sophisticated industrial goods and technology. US firms will probably play a major role in the reconstruction of the oil industry after the war.

96. Iraqi officials, including Saddam Husayn, have made positive public statements about relations with the United States in recent years. They assert that Iraq had intended to reestablish full relations with the United States but had to delay such a move when the war with Iran began. Iraq views reestablishment of diplomatic relations as a way of balancing its relations with the two superpowers, as well as enhancing its nonaligned credentials.

97. Serious impediments remain to the development of close ties. The major long-term obstacles are US policy toward Israel and Iraqi links to Palestinian groups involved in international terrorism. Iraq

continues to view US support for Israel as inimical to Arab interests. Iraq's more recent statements on the Palestinian question suggest a willingness to accept a negotiated settlement that is acceptable to the Palestinians. This would mean abandonment of Iraq's traditional rejectionist position, but it is too soon to determine if this reflects a temporary Iraqi need to play to its moderate Arab supporters in the war or a fundamental change in outlook. Iraq also is suspicious of US intentions in the Persian Gulf, and senior Iraqi officials continue to charge that the United States is prolonging the war by allowing Iran access to Western arms. It is also sensitive to Iranian charges that it has become a US "tool."

98. Iraqi officials have repeatedly denied that they support such terrorist groups as 15 May and Abu Nidhal's Black June, while insisting that Iraq must provide aid and support for any "displaced" Palestinians. Although Abu Nidhal probably is now operating out of Syria, the Iraqis are suspected of having had a hand in attacks on Kuwaiti diplomats last year by Black June. Iraq's stated position probably can be confirmed only by absence of involvement in terrorist operations over an extended period of time.

Prospects for US Influence

99. US links to Iraq will probably increase despite the constraints, if the current regime in Baghdad remains in power. Saddam Husayn probably will see it in his interests to pursue a more balanced relationship with the two superpowers. Western and US advantages over Communist states in the fields of technology and economic relations will assume more importance when the war ends and the Iraqi regime resumes its drive to develop its economic power.

100. France, however, will continue to be Iraq's major economic and political link to the West. France is Iraq's major supplier of Western arms and has a major economic stake in Iraq. France has also been the only Western power publicly to support Iraq in its war with Iran. French officials have stated flatly that Paris will not allow Iraq to be defeated.

101. The current regime is likely to pursue policies more favorable to the United States than any successor regime. The United States is likely to come in for harsher treatment from new leaders either of the

SECRET

25X1

Ba'thist or Islamic fundamentalist variety, particularly if there is a return to the more traditional Iraqi xenophobia and ideological hostility to the West.

102. A major upheaval in Iraq, particularly one in which the Iranians were a significant influence, would have severe consequences for US interests in the

Middle East. We would be faced with a second hostile regime, which would pressure countries in the region to reduce ties to the United States and which would oppose any US presence in the area. Regional tension would increase sharply, and the United States would have difficulty containing damage to its own interests.

SECRET

25X1

ANNEX

EQUIPPING IRAQ'S MILITARY

1. Iraq has a sufficient inventory of weapons and other military equipment to continue to wage protracted war against Iran during the period of this Estimate. Only a major suppliers' suspension of spare parts deliveries or failure to honor a major contract would degrade this situation. Although Iraq has thoroughly diversified its sources of arms, its air and ground forces will rely primarily on Soviet-made weapons during at least the next several years.

2. The effectiveness of Iraq's armed forces against Iran depends largely on their ability to maintain numerical and qualitative supremacy in weapons and equipment. Consequently, Baghdad will continue to seek contracts that will ensure a wide margin of superiority and will be suspicious that any improvement in relations between Iran and the West could threaten that superiority.

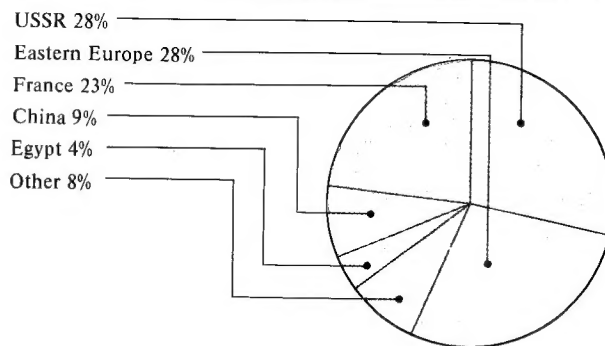
3. Until the mid-1970s, Iraq had relied almost exclusively on the USSR for its modern military equipment. Concerned about dependence on a single supplier, Baghdad began to conclude arms deals with Western Europe, primarily France. (See figure 7.) The Soviet decision to embargo arms deliveries to Iraq during the first months of the war accelerated Iraqi contracts with the West.

4. Since the beginning of the war, Baghdad has concluded deals worth almost \$5 billion with France for Mirage F1 fighters, Roland surface-to-air missiles, self-propelled artillery, antiship missiles, and electronic equipment. Italian sales have reached \$2.2 billion and include armored personnel carriers, other ground equipment, and naval ships. China also has become a major new source of arms. Beijing and Baghdad have signed contracts for fighter aircraft, tanks, and artillery totaling more than \$3.5 billion. Chinese equipment is particularly attractive because of its similarity to Soviet equipment already familiar to the military.

5. For all of its new deals with China and the West, Baghdad still looks to the USSR as its primary source

Figure 7
Iraq: Arms Deliveries

22 September 1980–December 1982



403673 (A02996) 7-83

25X1

of modern aircraft and weapons. Since the war began Iraq has concluded some \$4 billion in new military contracts with the Soviets. Iraq and the USSR early this year concluded an arms deal for 66 advanced MIG-21 fighters and some 500 T-72 tanks. For the period of this Estimate the Iraqi ground forces will remain almost completely equipped with Soviet-style weaponry. The Air Force will have acquired nearly 100 French combat aircraft by 1985, but more than three-fourths of Iraq's combat aircraft will still be of Soviet origin. Iraq's continued dependence on Soviet resupply of additional military equipment, spare parts, and munitions will remain Moscow's major area of leverage over Baghdad.

SECRET

25X1

6. The major impediment to future military contracts will be Baghdad's shortage of foreign reserves. Iraq relies on Saudi Arabia and other moderate Gulf states for financing. Declining oil revenues and the continued softness of the oil market will impose some restraint on its arms purchases and will encourage Baghdad to barter oil for equipment. Iraq this year has successfully arranged favorable credit terms with

France and the USSR that will delay any further serious payment problems until 1984.

7. Over the longer term, Iraq plans to build a domestic arms industry through licensed assembly and coproduction arrangements with West European companies. Little serious progress in this area is expected during the period of this Estimate.